

BILL # SB 1179

SPONSOR: Allen

REQUESTED BY: House

TITLE: Alzheimer's treatment; facilities; demonstration project

STATUS: Senate Engrossed

PREPARED BY: Beth Kohler/Tim Sweeney

FISCAL YEAR

2003

2004

2005

EXPENDITURES

General Fund
Federal Funds

\$-0-

See discussion below

FISCAL ANALYSIS

Description

The bill expands the maximum number of participants in the Alzheimer's treatment assistive living facility demonstration pilot project. The bill stipulates that upon its effective date through December 31, 2003, not more than 200 persons may be participating in the pilot project and from January 1, 2004 through October 1, 2005, not more than 300 persons may be participating.

Estimated Impact

The bill could either increase or decrease General Fund costs, depending which facilities would otherwise have served the participants in the program (see discussion below). If participants would have otherwise been served in lower-cost facilities, the expansion of the pilot program could increase expenditures. If participants would have otherwise been served in higher-cost facilities, the expansion could reduce expenditures.

In addition, because the FY 2004 allocations for the Arizona Long-Term Care System (ALTCS) have not yet been adopted, the General Fund cost will depend upon how the ALTCS program is funded in FY 2004. Currently, the state pays for 50% of growth in the ALTCS program and counties pay the remaining share of program growth. Because the FY 2004 allocations for ALTCS have not yet been adopted, we calculated the impact based upon 2 scenarios: 1) current law, in which the state would continue to pay for ½ of the growth in the ALTCS program. Under this scenario, the bill has both a state and local impact in FY 2004; and 2) the JLBC Proposal, which requires counties to pay the full cost of the growth in the ALTCS program from FY 2003 to FY 2004. Under this scenario, this bill has an FY 2004 local impact only. In both scenarios, we assumed the state would pay for ½ of the growth in FY 2005.

The following table outlines the potential fiscal impact of the bill:

	FY 2004				FY 2005	
	Scenario 1 - Current Law		Scenario 2 - JLBC Proposal		Current Law	
	A	B	A	B	A	B
General Fund	\$(164,300)	\$209,200		\$0	\$(393,200)	\$500,700
County Funds	\$(164,300)	\$209,200	\$(328,600)	\$418,400	\$(393,200)	\$500,700
Federal Funds	\$(674,700)	\$859,200	\$(674,700)	\$859,200	\$(1,614,800)	\$2,056,300
A: Patients would have otherwise been served in higher-cost facilities						
B: Patients would have otherwise been served in lower-cost facilities						

The Arizona Health Care Cost Containment System estimates that this bill will have no General Fund impact.

(Continued)

Analysis

Laws 1999, Chapter 313 established the Alzheimer's treatment assistive living facility demonstration pilot project. As part of this legislation, the Arizona Health Care Cost Containment System (AHCCCS) is required to conduct an evaluation of the pilot project, including an evaluation of whether the assistive living facilities participating in the pilot project deliver Title XIX services at a reasonable cost when compared with other alternative residential facilities that provide services to persons with Alzheimer's disease. In an October 2002 analysis of the project, AHCCCS compared the rates paid by the health plans under the pilot program with the average rates per day of the following facilities:

- Pilot Program: \$ 78.70
- Nursing Facility, locked unit: \$123.27
- Nursing Facility, Level II: \$115.50
- Adult Foster Care, Level II: \$ 43.70
- Assisted Living Center/U, Level III: \$ 71.33

These facilities would provide services in a residential setting with varying levels of care (Level III being the highest level). We adjusted these figures for expected inflation. Based upon these rate comparisons included in the October 2002 report, we assumed that, if not participating in the pilot program, at least some of these individuals may have been served in each of these other facilities. However, AHCCCS now reports that all individuals participating in the pilot program would have otherwise been served in a locked unit of a Nursing Facility. Because we have no means of independently verifying this information, and because the October 2002 report seems to suggest otherwise, we developed a range of estimates using the following assumptions: 1) For our low end estimate, we assumed all individuals would have otherwise been served in a locked unit of a Nursing Facility, the highest cost services; and 2) For our high end estimate, we assumed all individuals would have otherwise been served through Adult Foster Care, the lowest cost services.

The ALTCS program is a capitated program, which means AHCCCS pays contracted health plans a per member per month payment designed to cover the cost of care provided to enrolled members. Capitation rates are determined by using prior year actual utilization and costs incurred by the health plans for providing care to the AHCCCS members. Therefore, for these members, AHCCCS does not directly pay for the care received by the patients in the pilot program, but rather these services are assumed to be included in the capitation rates.

Because capitation rates are calculated based upon actual costs incurred by the health plans, we expect any changes to the cost of care for these individuals to result in changes to the capitation rates. For the purposes of this analysis, we assumed that the capitation rate adjustments would be made for contract year 2004, which would result in increased costs beginning in October 2003. If the capitation rates are not adjusted until October 2004, this cost could be avoided until FY 2005.

Currently, the maximum allowable number of individuals in the pilot program is 100. AHCCCS reports there are currently 100 individuals participating in the program but indicates there is no way to estimate whether enough facilities would participate to enroll the maximum number of participants allowed under the bill. Because we had no information on how many facilities would participate, we assumed the program would continue to serve the maximum number of individuals. For the purposes of this analysis, we assumed the program would serve 200 individuals for the first half of FY 2004, and 300 individuals for the second half of FY 2004 and all of FY 2005. If additional facilities do not participate in the project, the actual number of individuals served could be lower.

Local Government Impact

See discussion above for county impact.